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## PERS rulings to cost \$2.1 billion

Board expects it will have \$1.8 billion in reserves to offset cost

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TIGARD -- \$2.1 billion.

That's the price tag of the Oregon Supreme Court's March 8 decision overturning two key provisions of the Legislature's 2003 pension-reform package.

It's an amount that the Public Employees Retirement System must shoulder during the next quarter-century and it eventually must be handed back to workers and retirees.

PERS actuaries from Mercer Human Resource Consulting released the estimated price tag for the court's Strunk ruling Tuesday at the monthly PERS Board meeting.

If state and local governments had to shoulder the full cost through their pension-benefits outlays, it would cost the equivalent of a 2.4 percent across-the-board pay raise for their employees, Mercer calculated.

The PERS Board expects to have \$1.8 billion in reserves to offset most of the cost, PERS Executive Director Paul Cleary said. Much of that money was set aside from PERS' 2003 and 2004 investment earnings in the event that some of the 2003 reforms were overturned.

If the PERS Board agrees, as expected, to spend the full \$1.8 billion in reserves, that will soften the Strunk decision's blow to state and local governments. They would pay additional PERS benefits costs amounting to 0.4 percent of workers' salary, beginning in mid-2007, Cleary said.

That's on top of other PERS rate increases expected to average 9 percent of workers' salary. Those increases will be imposed in two stages, once in 2005-07 and again in 2007-09.

The state's highest court rejected the 2003 Legislature's decision to suspend cost-of-living adjustments for recent retirees. That affected 22,000 people who retired from PERS jobs between April 2000 and April 2004. That court decision will cost PERS about \$700 million, Mercer calculated. That's higher than forecast because of the unexpected surge of public-employee retirements in 2002 and 2003.

The court also overturned the Legislature's plan -- first suggested by Gov. Ted Kulongoski -- to water down the annual 8 percent guarantee on investment earnings for veteran workers' regular accounts. Undoing that reform will cost PERS \$1.4 billion, Mercer calculated. That money will go to 110,000 workers who joined PERS before 1996.

It now appears that the pension system's savings from the 2003 reforms, once estimated at \$8 billion to \$9 billion, will turn out to be less than half that amount.

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### What's next

The PERS Board meets April 15 in Tigard. It asked actuaries to present a report about the long-term prospects for the system's costs to government and a new estimate of the savings from the 2003 pension-reform package.

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